

AUDIT SUBCOMMITTEE OF THE LEGISLATIVE MANAGEMENT COMMITTEE

The Audit Subcommittee of the Legislative Management Committee met in Room 450, State Capitol Building, Salt Lake City, Utah, Tuesday, September 8, 2015, from 1:45 p.m. to 3:30 p.m.

Committee Members Present: President Wayne Niederhauser, Co-Chairman
Speaker Gregory Hughes, Co-Chairman
Senator Gene Davis
Representative Brian King

Legislative Audit Staff: John Schaff, Auditor General
Excused Rick Coleman, Deputy Auditor General
Tim Osterstock, Audit Manager
Darin Underwood, Audit Manager
Lynda Maynard, Recording Secretary
David Gibson, Audit Supervisor
Leah Blevins, Audit Supervisor
Tyson Cabulagan, Perf Auditor
James P. Behunin, Audit Supervisor
Chris McClelland, Sr. Perf Auditor

Other Interested Parties: David Crandall, Board Chair, Ut State Bd of
Education Education David Thomas, 1st Vice Chair, Ut State Bd of
Education Jennifer Johnson, 2nd Vice Chair, Ut St Bd of
Rehabilitation Scott Jones, Assoc Superintendent, USOE
Darin Brush, Exec Dir., Ut St Office of
Debbie Davis, Auditor, Ut St Bd of Education
Rob Brems, President, UCAT
Thalea Longhurst, State CTE Dir., USOE
Kim Ziebarth, DATC
Mike Beuwhuis, DATC
Kathy Bounais, DWS
Stephen Jardine, Legislative Fiscal Analyst
Katie McKellar, *Deseret News/ KSL News*
And others as listed

Call to Order

Speaker Hughes called the meeting to order at 1:45 p.m.

2. Approval of Minutes

Motion: President Niederhauser made a motion that the minutes from July 8, 2015 Audit Subcommittee meeting be approved. The motion passed unanimously.

3a. A Performance Audit of USOR's Budget and Governance (Report #2015-10)

Presented by: Leah Blevins, Audit Supervisor

Discussion following Presentation

David Crandall, Board Chair, Utah State Board of Education, introduced the members of both USOE and USOR and turned the time to Darin Brush, Executive Director, USOR.

Mr. Brush addressed the concerns in the audit indicating that the audit is being accepted in the spirit intended to improve the operations in USOR, USOE and the State Board of Education. Mr. Brush said that they have created a plan to address the fundamental failures of their system and to improve USOR and create a system that won't allow for these issues to reappear; however, it will take multi-years to put the improved system in place by:

1. Tackling the budget and accounting management issues
2. Create a management information system
3. Appoint a Chief Compliance Officer to create a compliance structure, a Grant Compliance Infrastructure
4. Create an order of selection
5. Keep Maintenance of Effort manageable
6. Wean USOR of the one-time federal re-allotment monies

Jennifer Johnson, Vice Chair, Utah State Board of Education, emphasized the importance of USOE having an internal audit program in order to be able to find their own problems and the need for an updated system and more expert personnel in order to properly account for state and federal funds.

Scott Jones, Associate Superintendent, USOE, concluded the discussion by telling the Audit Subcommittee that he would like to have an end-to-end system, and enterprise resource system with a cost center structure where money is loaded specifically into the cost center-type activities to alleviate the problems that have been at the fore-front of the audit. Mr. Jones said that everything begins at the beginning and if it's not right at the beginning it is going to be wrong at the end and that is what USOE is trying to correct; but additional resources will be needed to reach these goals.

Motion: President Niederhauser made a motion that the Performance Audit of USOR's Budget and Governance (Report #2015-10) be referred to the Executive Appropriations Committee as the Primary committee to review because of its' implications to other agencies,

not only USOE but budgeting and accountability in general, to review some of the broad issues regarding budgeting accountability, also to refer the report to the Social Services Appropriations Subcommittee as the Review committee regarding specific issues on USOR and ask them to recommend to the EAC and to the Audit Subcommittee whether USOR should be moved to another agency and to what agency addressing their budgeting issues specifically. The motion passed unanimously.

3b. A Review of CSR Coordination and Program Duplication Between Public Education and UCAT (Report #2015-09)

Presented by: David Gibson, Audit Supervisor

Discussion following Presentation

Rob Brems, President, Utah College of Applied Technology (UCAT), responded to the audit. Mr. Brems told the Subcommittee that UCAT works to ensure that secondary students have opportunities within their 8 campuses and they work hard to cooperate and collaborate with the school districts. President Brems said UCAT encourages the campuses to work carefully and collaboratively to resolve problems; however, there may be some necessary duplication because of particular employer needs in the region.

President Brems concluded by saying that UCAT accepts the recommendations of the audit and will use the authority of the UCAT Board of Trustees and the campus boards of directors to work with the State Board of Education and the local school boards to resolve any issues.

Thalea Longhurst, State Career and Technical Adult Education Director, USOE, explained that USOE appreciates the scope and intent of the audit which has identified areas for improvement and USOE is happy to work on those. Ms. Longhurst concluded by saying that in USOE's perspective, as a direct authority over what school districts offer, their schedules and how they run USOE has very little authority but they already have plans in place to help educate LEA's about some of the opportunities that exist.

Motion: President Niederhauser made a motion that the Review of CSR Coordination and Program Duplication Between Public Education and UCAT (Report #2015-09) be referred to the Education Interim Committee, as the Primary committee. The motion passed unanimously.

3c. A Review of the Communication of the State's Liability Protection for School District Employees(Report #ILR2015-B)

Note: This report was available for distribution but was not presented

Motion: President Niederhauser made a motion that the Review of the Communication of the State's Liability Protection for School District Employees (Report #ILR2015-B) be referred to the Education Interim Committee, as the Primary committee. The motion passed unanimously.

4. Prioritization of Audit Requests

Following a discussion of the audits requested, the following motion was made.

Motion: President Niederhauser made a motion the following actions and requests for audits be approved:

- The "Hold" on the USTAR Annual Review be taken off and moved to Currently Staffed Audits
- Follow-up Review of DHS 9/ 1/ 15 Report to Social Services Appropriations Subcommittee be moved to Currently Staffed Audits
- Audit request: 9-1-1 Surcharge and PSAP's be approved, and
- Audit request: Life Cycle, Costs of State Office Buildings be approved. The motion passed unanimously.

5. Adjourn

Speaker Hughes adjourned the meeting at 3:30 pm.